

# **Statement of Estimated State and Local Revenue Impact**

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Date: January 27, 2012

Bill Number: S. 40 as amended by Senate Finance on January 25, 2012

Authors: McConnell, Campsen and Rankin

Committee Requesting Impact: Senate Finance

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## **Bill Summary**

A bill to amend Section 12-43-220, as amended, Code of Laws of South Carolina, 1976, relating to valuation and classification of property for purposes of the property tax, so as to provide that the owner-occupant of residential property qualifies for the four percent assessment ratio allowed owner-occupied residential property, if the owner is otherwise qualified and the residence is not rented for more than ninety days a year; to allow refunds or credits to owner-occupants who qualify for the four percent assessment ratio due to the amendments contained herein; to delete other references to rental of these residences; and to amend section 12-54-240 relating to disclosure of records, reports, and returns with the Department of Revenue, so as to provide that verification that the Federal Schedule E conforms with the same document required by a county assessor is not prohibited.

## **REVENUE IMPACT <sup>1/</sup>**

**State:** This bill as amended will reduce General Fund Revenue by \$55,500 in FY 2012-13 for increased obligations to the Property Tax Relief Trust Fund.

**Local:** This bill as amended will reduce local property tax revenue by an estimated \$1,275,000 in FY 2012-13 as a result of homes currently receiving a 6.0% assessment ratio becoming eligible for the 4.0% owner-occupied assessment ratio.

## **Explanation of Amendment (January 25, 2012) - by the Senate Finance Committee**

The bill as amended would allow homes that are rented for up to ninety days to qualify for the 4.0% assessment ratio only for tax years beginning after December 31, 2011 as opposed to the original bill that applied to tax years after 2004, and therefore local jurisdictions would not be required to issue refunds for prior tax years. This bill as amended will reduce General Fund Revenue by \$55,500 for FY 2012-13 for increased obligations to the Property Tax Relief Trust Fund. Local property tax revenue would be reduced by an estimated \$1,275,000 for FY 2012-13 as a result of homes currently receiving a 6.0% assessment ratio becoming eligible for the 4.0% owner-occupied assessment ratio.

The bill as amended also amends Section 12-37-3150(B) by adding that a transfer of a fractional interest in owner occupied real property for a de minimis or zero monetary consideration amongst family members who all previously owned interest in the property is not an assessable transfer of interest. The property therefore would not be subject to a reassessment of value as a result of the change in fractional ownership. Due to the narrow scope of this section of the bill, we anticipate that a very limited number of properties could

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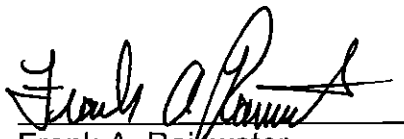
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be affected. As such, we estimate the impact of this section on local revenue to be minimal.

## **Explanation of the Bill as Filed (January 11, 2011)**

Under current law, owner occupied homes are assessed at 4.0% for property tax purposes. All other homes are assessed at 6.0% for property tax purposes. Currently, an owner-occupied home can be rented out for up to fifteen days and still remain eligible for the 4.0% assessment ratio. This bill would allow the home to qualify for the 4.0% assessment ratio if it is not rented for more than ninety days in a calendar year. State reimbursements from individual and corporate income tax revenue to counties for owner occupied property tax relief will be affected by the increased number of owner-occupied homes under this bill. We estimate that General Fund revenue will be reduced by \$55,500 in FY 2012-13 for increased Property Tax Relief Trust Fund reimbursements to local jurisdictions for county and city property taxes on homes qualifying for the over age 65 Homestead Exemption of \$50,000. All other owner occupied reimbursements are capped and will not be affected by the increase in homes qualifying for 4% assessment. The bill is effective for tax years after 2004 and does allow for taxpayers to apply for refunds from the counties. However, the Department of Revenue will reimburse the local jurisdictions for the current year's exemptions and one year prior only. Therefore, state revenue may be reduced by an additional \$55,500 for obligations to the Trust Fund for FY 2011-12. General Fund revenue would be reduced by a total of \$110,000 in FY 2012-13 as the increased obligations and refunds would be paid in one fiscal year.

Based on conversations with various county assessors' offices and other county offices, we estimate local property taxes will be reduced by \$1,275,000 in a typical year as a result of homes currently receiving a 6.0% assessment ratio becoming eligible for the 4.0% owner-occupied assessment ratio. Since the bill specifically allows for taxpayers to apply for a rebate or credit of any overpayment, local revenue may be reduced by \$1,275,000 for each tax year of the six years from 2005 to 2010.

  
Frank A. Rainwater  
Chief Economist

Analyst: Jolliff

<sup>11</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.